

Los Angeles County
Board of Supervisors

June 21, 2011

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Zev Yaroslavsky

FROM: Mitchell H. Katz, M.D.
Director



SUBJECT: **NOTIFICATION OF DEPARTMENT OF HEALTH
SERVICES' USE OF DELEGATED AUTHORITY TO
EXECUTE AMENDMENT TO EXTEND HOSPITAL
SERVICES AGREEMENT WITH VETERANS
ADMINISTRATION**

Mitchell H. Katz, M.D.
Director

John F. Schunhoff, Ph.D.
Chief Deputy Director

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www.dhs.lacounty.gov

*To ensure access to high-quality,
patient-centered, cost-effective
health care to Los Angeles County
residents through direct services at
DHS facilities and through
collaboration with community and
university partners.*

This is to advise your Board that the Department of Health Services (DHS) is exercising its delegated authority, approved on June 17, 2008 (attached), to execute an Amendment to extend the term of the above referenced Hospital Services Agreement.

DHS has executed an Amendment with Veterans Administration (VA), effective June 7, 2011 through December 31, 2011, to allow continued provision of services by Rancho Los Amigos National Rehabilitation Center at rates consistent with the Board's directives on October 16, 2007 (attached); and for both parties to renegotiate and replace the Agreement to include additional services for a multi-year term contract.

The Chief Executive Office and County Counsel have approved the Amendment as to form.

If you have any questions or require additional information, please let me know.

MHK:ln

Attachments

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors





WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

June 17, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**DEPARTMENT OF HEALTH SERVICES: APPROVAL OF AMENDMENT NO. 1 TO
AGREEMENT NO H-700259 WITH KAISER FOUNDATION HOSPITALS AND
DELEGATION OF AUTHORITY
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval of an agreement amendment to extend the term and adjust contracted rates with Kaiser Foundation Hospitals and delegation of authority to execute future amendments with all health plans that provide services to their members through a Department of Health Services' hospital(s).

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Interim Director of Health Services, or his designee, to negotiate and execute Amendment No. 1 to Agreement No. H-700259 (Agreement) with Kaiser Foundation Hospitals (Kaiser) to extend the agreement effective July 1, 2008, on a month-to-month basis, not to exceed six months, through December 31, 2008 to provide sufficient time to replace the Agreement in its entirety, for the provision of hospital burn services provided by the LAC+USC Medical Center (LAC+USC) to Kaiser's members and adjust the existing contracted rates at or above LAC+USC's variable cost contingent upon prior approval by County Counsel and the Chief Executive Officer (CEO) with notice to the Board Offices.

Board of Supervisors
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First District

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Fifth District

2. Delegate authority to the Interim Director, or his designee, to execute future amendments to existing hospital services agreements with health plans to:
 - a) extend the agreement term on a month-to-month basis, not to exceed six months, to provide sufficient time to replace the Agreement in its entirety;
 - b) adjust the contracted rates at or above the variable cost for the provision of such services by each participating Department of Health Services' (Department or DHS) hospital; c) add new services; and d) incorporate new or revised State/federal law and regulations, accreditation requirements, or County requirements, as applicable, all contingent upon prior approval by County Counsel and CEO, with notice to the Board.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will allow for the continued provision of hospital burn services by LAC+USC to Kaiser's members at rates at or above LAC+USC's variable cost, and enable the Interim Director to negotiate and execute amendments to existing hospital services agreements with health plans consistent with the Board's directives on October 16, 2007.

Implementation of Strategic Plan Goal

These actions support Goal 1, Service Excellence and Goal 4, Fiscal Responsibility of the County Strategic Plan by providing hospital burn services to patients of other health plans at rates to cover the County's variable costs for providing such services.

FISCAL IMPACT/FINANCING

The Department is currently reviewing all health plan agreements to ensure that the rates, at a minimum, cover the variable cost of each participating DHS hospital, and plans to re-negotiate agreements (e.g. Kaiser) that contain rates below the DHS hospital's variable cost.

The amount of additional revenue resulting from approval of the recommended actions cannot be determined at this time until the hospital services agreements with health plans are fully negotiated and executed. Since the rates to be re-negotiated are confidential in accordance with Section 1457 of the California Health and Safety Code, the Department will share such rates with each Board Office, the CEO, and County Counsel under separate cover.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On March 30, 2004, your Board approved the Agreement with Kaiser for the provision of hospital burn services by LAC+USC to Kaiser's members through June 30, 2007, with

Honorable Board of Supervisors
June 17, 2008
Page 3

an automatic month-to-month renewal through June 30, 2008. The Department's review of the Agreement revealed that the contracted rates do not cover LAC+USC's variable cost. The Interim Director intends to re-negotiate the rates accordingly, and is requesting a contract extension, on a month-to-month basis, not to exceed six months, to provide sufficient time to replace the Agreement in its entirety.

On October 16, 2007, your Board authorized the Director to negotiate and execute new hospital services agreements with health plans to increase revenue for the Department, provided that the contracted rates covered the variable costs of participating DHS facilities. Approval of the delegated authority to amend the existing health plan agreements will allow the Department to extend and amend the agreements to ensure for the continued provision of services by DHS facilities at rates consistent with the Board's directives described above; add new services to take advantage of future business opportunities for the Department; and incorporate new or revised State/federal law and regulations, accreditation requirements, or County requirements, as applicable.

The Department will continue to work closely with County Counsel and CEO to ensure that the County's interests are represented and protected during the period of delegation, and will include the contracts amended under delegated authority in its biennial report to the Board.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommended actions will ensure that services provided by DHS hospitals are adequately compensated by health plans at rates acceptable to County.

CONCLUSION

When approved, DHS requires three signed copies of the Board's action.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SRH:SAS
MLM:LT:yb

c: County Counsel
Interim Director, Department of Health Services



MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Sachi A. Hamai, Executive Officer-
Clerk of the Board of Supervisors
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

At its meeting held October 16, 2007, the Board took the following action:

43

The following item was called up for consideration:

The Chief Executive Officer's recommendation to approve and authorize the Director of Health Services to negotiate and execute hospital services agreements with health plans that provide commercial insurance coverage to employer groups and individuals, Workers' Compensation plans, and Medi-Care and Medi-Cal health plans, to encourage the contracted health plans to direct their members to obtain emergency, non-emergency and specialized care at County hospitals, with payments to come from contractually negotiated fee for service or capitation payments made by the health plans, for a period of one year with automatic annual extensions not to exceed a total of five years.

Supervisor Molina made the following statement:

"As we contract with Health Plans to provide services at our hospitals, we must ensure that we are not subsidizing those large insurance companies. At the very least our County facilities should be reimbursed for our costs.

I therefore recommend that, as part of the delegated authority, all negotiated contracts include rates that cover our costs for providing services."

Dr. Bruce A. Chernof, Director of Health Services and William T Fujioka, Chief Executive Officer, responded to questions posed by the Board.

(Continued on Page 2)

43 (Continued)

After discussion, on motion of Supervisor Molina, seconded by Supervisor Knabe, unanimously carried (Supervisor Yaroslavsky being absent), the Board approved the Chief Executive Officer's attached recommendations as amended, to instruct the Chief Executive Officer to report back to the Board prior to the execution of the contracts with a fee structure to be included in the agencies' contracts that cover the cost for services.

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Attachment

Copies distributed:

- Each Supervisor
- Chief Executive Officer
- County Counsel
- Director of Health Services



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

September 18, 2007

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors,

**DEPARTMENT OF HEALTH SERVICES: APPROVAL OF DELEGATED
AUTHORITY TO THE DIRECTOR OF HEALTH SERVICES TO ENTER
INTO HOSPITAL SERVICES AGREEMENTS WITH HEALTH PLANS
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

Authorize the Director of Health Services, or his designee, to negotiate and execute hospital services agreements with health plans that provide commercial insurance coverage to employer groups and individuals, Worker's Compensation plans, and Medicare and Medi-Cal health plans. The term of such hospital services agreements shall be one year, with automatic annual extensions not to exceed a total of five years in length. The scope of services and rates will be in accordance with parameters set forth herein.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Board approval of this action will authorize the Director to enter into negotiations and execute hospital services agreements with health plans. The goal of these agreements is to encourage the contracted health plans to direct their members to obtain emergency, non-emergency and specialized care at County hospitals. Unique and highly specialized services provided by the Department of Health Services' (Department) facilities, such as acute rehabilitation services, burn care, and certain complex surgical procedures, would be available to this insured population. Currently, the lack of a contract with the County deters medical groups and health plans from directing non-emergent patients in need of specialty care services to County hospitals.

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Fifth District

Once approved by your Board, the Department will initially focus its efforts on securing contracts between Rancho Los Amigos National Rehabilitation Center (Rancho) and the nine largest health plans in Southern California. As a greater percentage of the population participate in managed health care plans, a lack of contracts with the County has encouraged health plans to redirect enrollees from non-contracted facilities, often to organizations that do not have the specialty care capabilities and expertise of organizations such as Rancho. Contracts with these large health plans will substantially increase the referrals and admissions to Rancho.

Implementation of Strategic Plan Goals

This request is consistent with Goals 3 and 4: Organization Effectiveness, and Fiscal Responsibility of the Los Angeles County Strategic Plan.

FISCAL IMPACT/FINANCING

The agreements with health plans executed under the Director's delegated authority are intended to bring increased revenue to the Department's hospital system. These monies will come from contractually negotiated fee for service or capitation payments made by the health plans. State law requires timely payment of complete and accurate hospital claims, assuring continuous cash flow. Further, the contracted County hospitals will be listed in directories as participating health plan network facilities.

The additional services to be provided by Rancho can be covered within the existing FY 2007-08 Adopted Budget. As the increased revenue cannot be reasonably determined at this time, the Department may request adjustments to future fiscal years budgets as needed.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Department will ensure that all hospital agreements negotiated and executed under this delegation will contain contracted rates that are at or above the aggregate variable cost for all services in each involved County hospital.

Once approved, the Director will submit biennial reports to your Board, on the contracts entered into by the Director using this delegated authority, including the utilization rates at each hospital by each contracted health plan, the number of admissions, bed days used, and revenue generated under each agreement.

CONTRACTING PROCESS

Unlike the majority of prior and current hospital service agreements, the Department may utilize the standard hospital agreement provided by the health plans or Worker's Compensation plans in order to expedite execution of the agreements. Such contractual documents will comply with both state law and the required provisions set forth by the California Department of Managed Health Care. These standard agreements contain mutual indemnification clauses and require the use of binding arbitration to resolve disputes. The Director intends to include certain preferred County contractual language that is in the Department's current hospital provider agreements, such as the non-disclosure of contract rates, conflict of interest, termination for improper consideration, and child support enforcement. The Director will include in these agreements, a mandatory "do not compete" provision for the Community Health Plan's Community Provider Plan status for Healthy Families.

County Counsel and the CEO's Office will review and approve all agreements negotiated under this delegated authority prior to execution. Financial officers at each facility and the Department's Chief Financial Officer will review and approve the payment terms negotiated for each agreement. The Director will notify the Board of its use of this delegated authority via a board memorandum.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The degree of impact of such agreements with commercial, Medicare, and Medi-Cal health plans will vary among the hospitals. The financial impact will be positive in all cases, bringing new revenue that contributes to the financial performance of the facilities.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SRH:SAS
DRJ:AMT:bjs

c: County Counsel
Director and Chief Medical Officer, Department of Health Services

091807_DHS_Hosp Services Agreements